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REAL ESTATE GROUP

## Multi Family Market in Southern Maine

### 2011 MEREDA Real Estate Forecast Conference


Presented by Brit Vitalius  
Principle, Designated Broker  
President, Southern Maine Landlord Association



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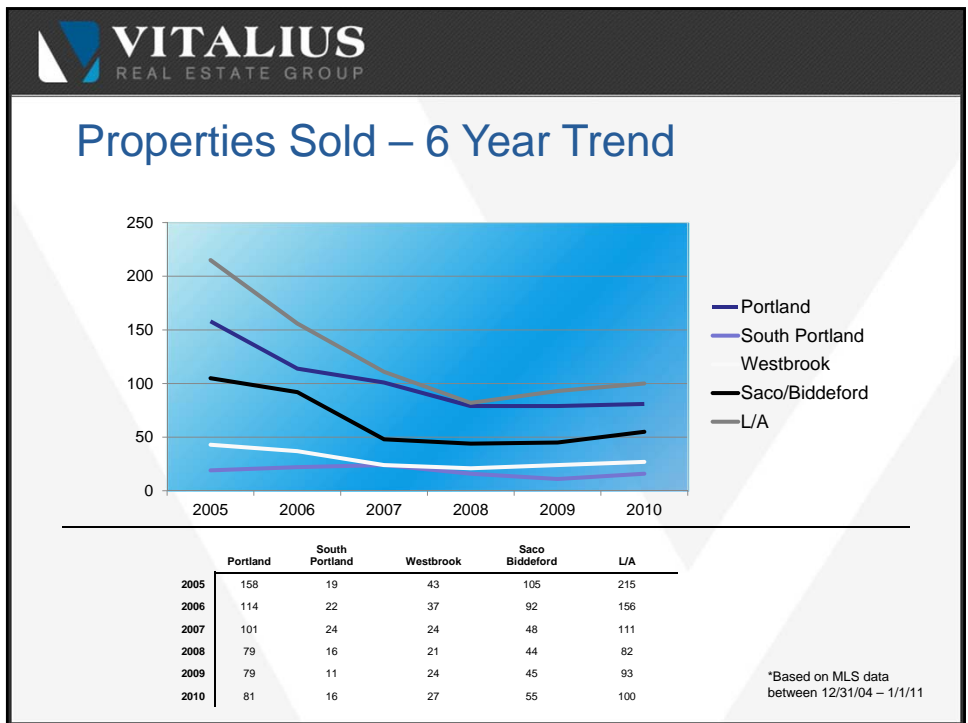
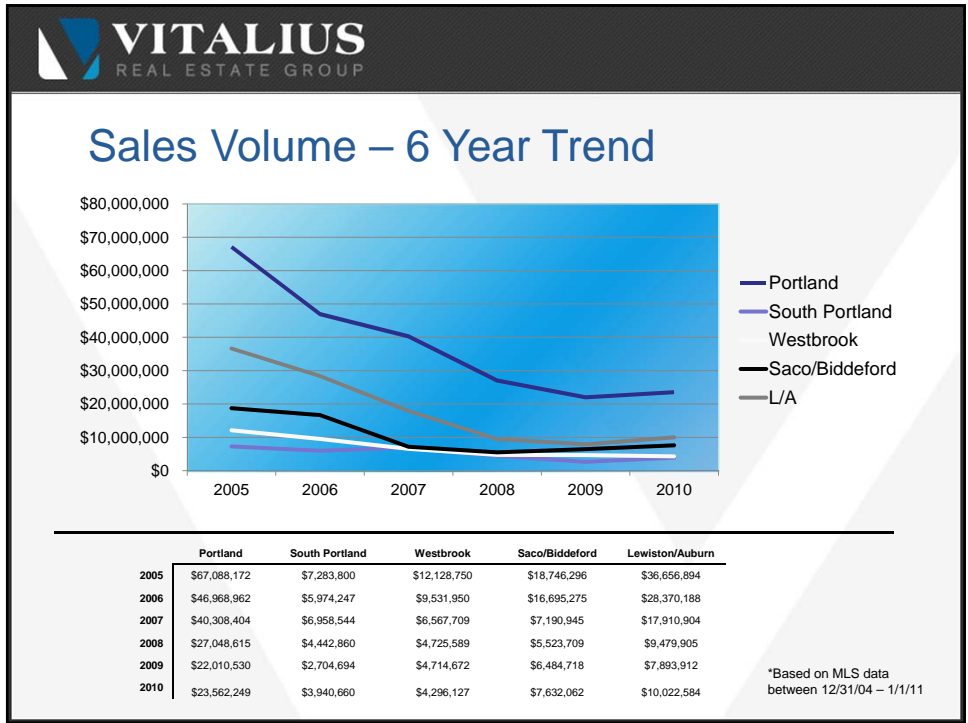
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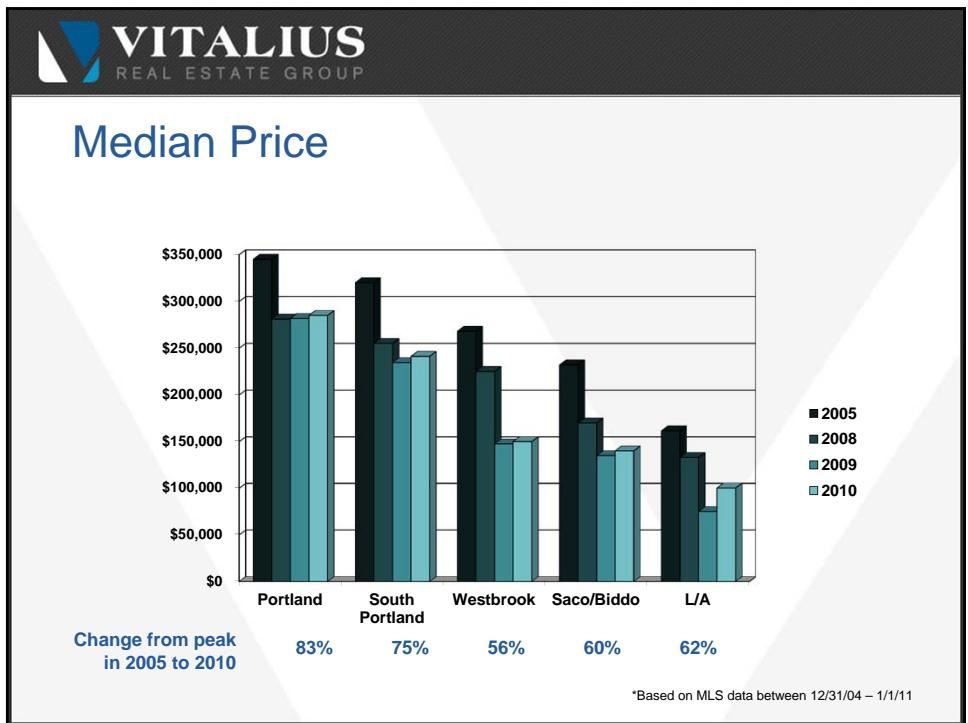
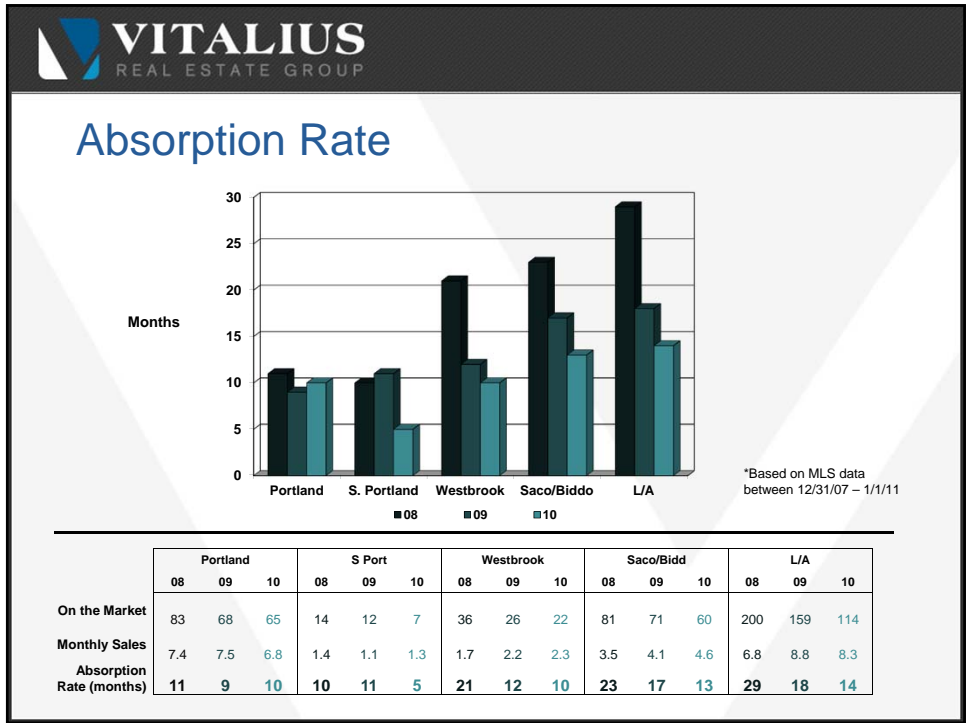
## Short Sales and Foreclosures

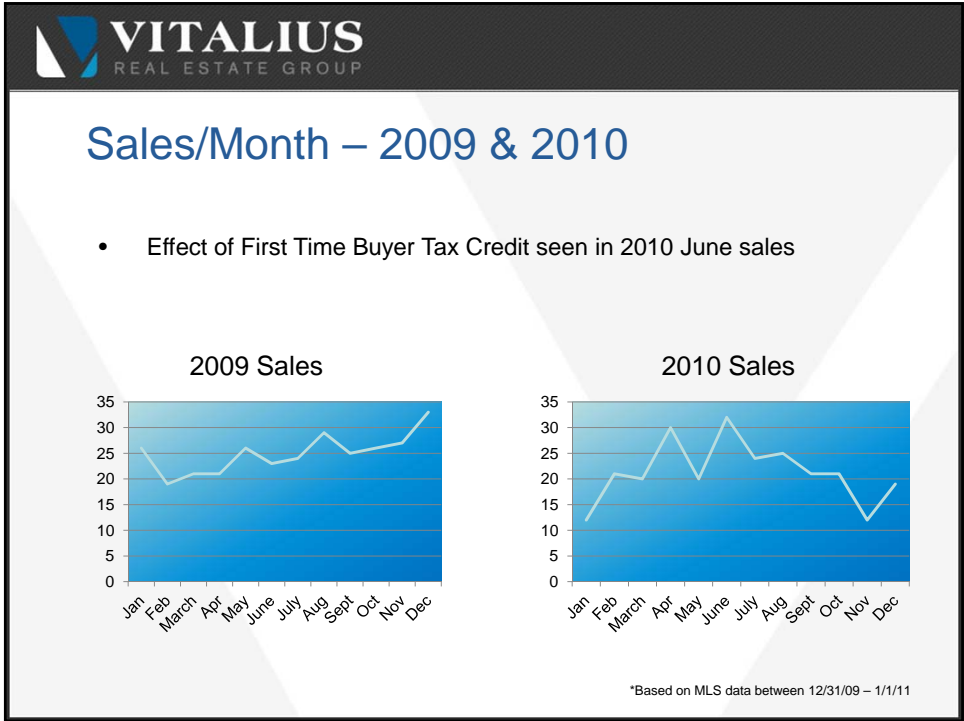
- At least 25% of all sales are short sales or bank owned\*
- In general, the process is faster than previous years
- Second-position loans can delay or obstruct closings
- Incorrectly executed foreclosures created aborted transactions, resulting in headaches for buyers and brokers
- Median sale price of short sale and REO properties is about 66% of traditional sales\*\*

\*69 out of 279 properties sold in 2010 contain ""approval," "bank," or "short" in the internal remarks.  
\*\*Of those 69, the median sale price is \$102,500 vs. a median of \$151,250 for the entire set of 279 properties.

\*Based on MLS data between 12/31/09 – 1/1/11 and/or personal knowledge of the deals.







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### Commercial Multi Market – Portland

- Cap Rate: 8 -10%
- Vacancy: < 5%
- Not all sales are cash flow based
- Few distressed sales
- Median Price/Unit for Cash Flow Based Sales (blue) = **\$69,583**
- Median Price/Unit of all listed sales = **\$70,833**

Portland	Address	Units	Sold Price	DOM	Sq Ft	Price/Unit	Price/Sq Ft	Notes
	15 Cumberland Avenue	5	\$330,000	25	4046	<b>\$66,000</b>	\$81.56	Munjoy Hill
	210 High Street	6	\$415,000	455	7512	<b>\$69,167</b>	\$55.24	Typical Cash Flow
	229 Congress Street	20	\$810,000		26967	<b>\$40,500</b>	\$30.04	Auction
	95-97 Emery Street	6	\$590,000	15	9852	\$98,333	\$59.89	Occupant
	89-91 Carleton Street	6	\$420,000	128	6162	<b>\$70,000</b>	\$68.16	Typical Cash Flow
	76-78 Spruce Street	6	\$425,000	81	5800	<b>\$70,833</b>	\$73.28	West End Location
	98 India Street	8	\$575,000	0	5592	<b>\$71,875</b>	\$102.83	1031 Purhcase
	871-873 Congress Street	9	\$315,000	90	7736	<b>\$35,000</b>	\$40.72	Low income/Seller 2 <sup>nd</sup>
	127 York St	12	\$960,000	OM	11764	\$80,000	\$81.60	Planned Condos plus Lot
	96 Federal	6	\$500,000	OM	6448	\$83,333	\$77.54	Future Development
	541 Cumberland Avenue	6	\$425,000	351	5453	<b>\$70,833</b>	\$77.94	Owner Occupant/Cash
	191 Pine St	7	\$700,000	OM	9554	<b>\$100,000</b>	\$73.27	West End Trophy Building
						<b>Avg</b>	<b>\$71,323</b>	<b>\$68.51</b>
						<b>Median</b>	<b>\$70,833</b>	

OM = Off Market

\*Based on MLS data between 12/31/09 – 1/1/11 and/or personal knowledge of the deals.

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## Commercial Multi Market - Biddeford

- Cap Rate: 11 – 13%
- Vacancy rates: 10 - 15%
- Many/most purchases are distressed sales
- Saco Mills have new units available at a reduced rent
- Code enforcement is STRICT on life safety issues

Address	Units	Sold Price	DOM	Sq Ft	Price/Unit	Price/Sq Ft	Notes
105 Pike Street	5	\$159,061	253	5668	\$31,812	\$28.06	
60 Bacon	5	\$181,500	252	4374	\$36,300	\$41.50	
10 Middle Street	6	\$285,000	113		\$47,500		
67-71 Bradbury Street	8	\$310,000	441		\$38,750		
					<b>Avg \$38,591</b>	<b>\$34.78</b>	
					<b>Median \$37,525</b>		

\*Based on MLS data between 12/31/09 – 1/1/11

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## Commercial Multi Market – L/A

- Cap Rate: 12 - 15%
- Vacancy rates: 15 - 20%
- Most purchases are distressed sales
- One active investor's view:
  - currently doing well at 88% occupancy
  - believes the market is 80% occupancy
  - they purchase based on 75% occupancy
  - all units purchased with private investor capital

*"...[Lewiston/Auburn] brokers told me all day long that the high unemployment was causing landlords to have a lot of difficulty finding credit tenants. The rental pool is really tough up there. Biddeford/Saco area was pretty similar." --Commercial Appraiser*

Address	Units	Sold Price	DOM	Sq Ft	Price/Unit	Price/Sq Ft	Note
51-53 School St	5	\$55,000	322	3825	\$11,000	\$14.38	
46 Third Street	6	\$250,000	210	6300	\$41,667	\$39.68	
307 Bates Street	6	\$40,000	196	0	\$6,667		
10 Shawmut Street	6	\$324,000	25	10121	\$54,000	\$32.01	
110 Howe Street	35	\$1,265,000	1061	10728	\$36,143	\$117.92	3 years on market
4 Cloutier Street	9	\$170,000	6	8000	\$18,889	\$21.25	
3 Bartlett Street	9	\$80,000	33	9184	\$8,889	\$8.71	
18 Blake Street	11	\$210,000	507	6225	\$19,091	\$33.73	1.5 years on market
18-24 Laurel Avenue	18	\$245,000	4	12835	\$13,611	\$19.09	
					<b>Avg \$23,328</b>	<b>\$35.85</b>	
					<b>Median \$18,889</b>		

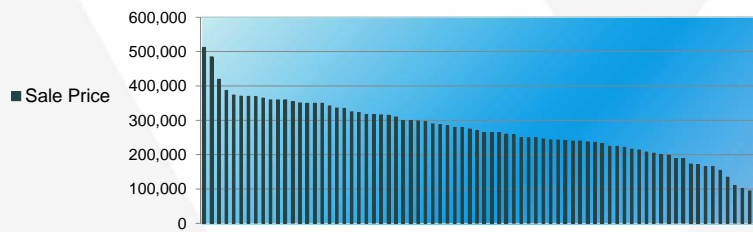
\*Based on MLS data between 12/31/09 – 1/1/11



## 2 - 4 Units - Portland

- Activity is level or increasing from 2009
- First time buyer tax credit stimulated activity in the spring
- Low interest rates helped in the fall
- Munjoy Hill, West End remain high value areas
- FHA and 203k loans dominate lending
- Regular sale price distribution

Sale Price Distribution

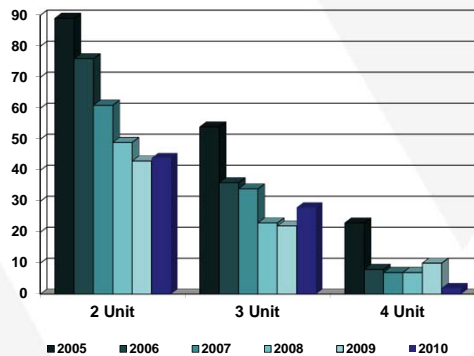


\*Based on MLS data between 12/31/09 - 1/1/11

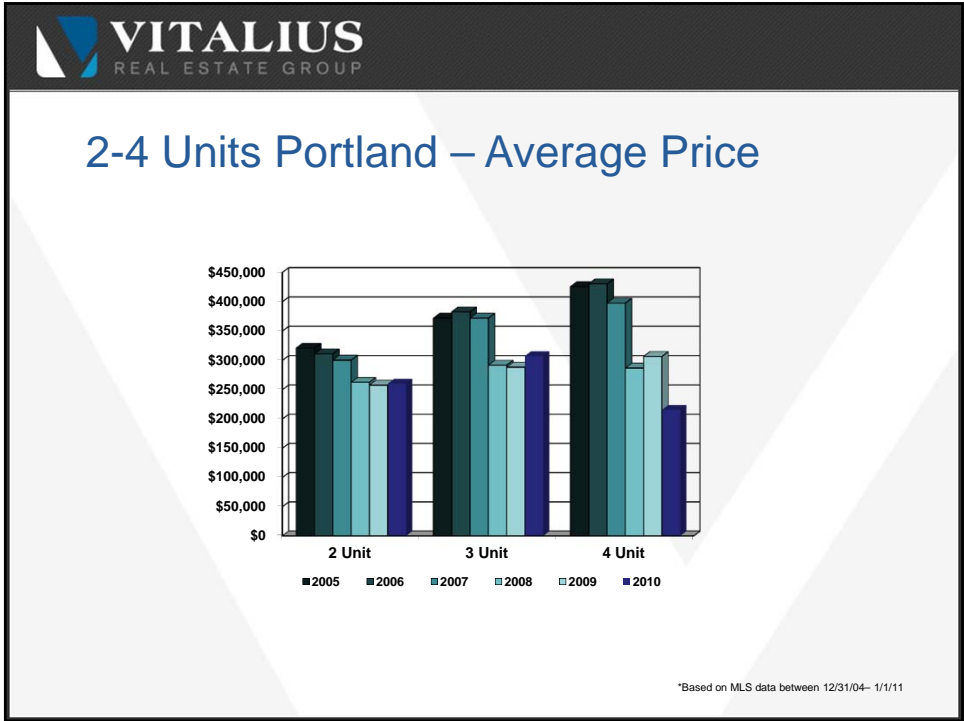


## 2-4 Units Portland - Properties Sold

- Sales are down 50% from 2005



\*Based on MLS data between 12/31/04- 1/1/11



### Rental Market

#### Vitalius Landlord Survey

	Portland		Greater Portland		Saco/Biddeford	
	Heated	Unheated	Heated	Unheated	Heated	Unheated
Studio/Efficiency	\$591	-----	\$567	-----	\$550	-----
1 Bedroom	\$793	\$700	\$708	\$688	\$675	-----
2 Bedroom	\$1,000	\$839	\$822	\$870	\$769	-----
3 Bedroom	\$1,233	\$1,005	\$1,221	\$1,063	\$910	\$1063

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Bedrooms	1	2	3
small '09	\$825	\$900	\$1,200
small '10	\$925	\$900	\$1,015
big '09	\$800	\$1,085	\$1,375
big '10	\$900	\$1,085	\$1,100

Bedrooms	1	2	3	4	5
	\$856	\$1,109	\$1,411	\$1,547	\$1,779

Includes all utilities; rents cover most of Cumberland County

Includes heat and hot water

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## Rental Market

**VACANCY SUMMARY**  
 Portland Vacancy Rate: 0 – 5%  
 Biddeford: 10 – 15%  
 Lewiston/Auburn: 15 – 20%

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**RENTAL TRENDS – Landlord’s Perspective**

- Landlords were split over whether or not it was more difficult to find tenants than in 2009, with slightly more saying it was harder.
- However, most landlords said their rent was unchanged from the prior year.

**Landlord Concerns**

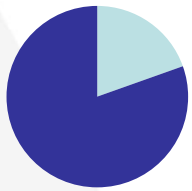
- Bedbugs
- Lead Paint – New EPA Rules affecting renovations in all pre-1978 residential properties took effect in April, 2010
- Good tenants

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## Bedbugs!!!!

- Hot issue in 2010
- Many landlords affected
- Misconceptions about problem and treatment by landlords and tenants
- New State law regarding disclosure, cooperation, and required actions and timelines

**Bedbugs in Portland**



	Portland	Saco Biddo	Greater Portland
Yes	9	0	1
No	37	10	20

\*Based on Vitalius Landlord Survey, December 2010





## Review of 2010 Forecast

- ✓ Short Sales, Foreclosures and REO's will continue at a similar pace.
- ✓ 2-4 unit sales will increase up to the expiration of the tax incentive (under contract by April 30<sup>th</sup>, 2010), then stall somewhat through the rest of the year. Hopefully, positive economic signs will provide support for a base level of activity between buyers and sellers.
- ✓ 5+ sales will pick up (it can't get much slower). First time investors get in the game as confidence in the market's "bottom" takes hold. Veteran investors will continue holding out for deals, i.e. short sales and auctions.
- ✓ All sales will be helped by an increase in quality inventory. Long-term owners are getting tired of the difficult rental market, don't believe in near term appreciation, and will finally sell.
- ✓ Sales will continue to be challenging in Saco/Biddeford and Lewiston/Auburn as they struggle with higher vacancy rates. Price may continue to drop in these areas.
- ✗ Rents will flatten or decrease slightly in Portland
- ✗ Increased interest rates in mid 2010. Will there be a second "bottom"?
  - Who will take over low income inventory ? How low do prices have to go?



## 2011 Multi Family Forecast

- Short Sales, Foreclosures and REO's will continue at a similar pace.
- Portland Commercial sales activity will remain steady with no decrease in pricing.
- Saco/Biddeford and Lewiston/Auburn find buyers as aggressive investors seize on bargain pricing and increased buyer awareness of deals to be had. Cap rates stay at 12% or higher.
- 2-4 unit sales remain steady given no dramatic shift in the buyer pool or financing options. Any loosening of lending standards will increase first-time buyer activity.
- Residential interest rates as high as 5.5% will have little or no effect; 6% may create resistance.
- All sales will be helped by an increase in quality inventory. Long-term owners are getting tired of the difficult rental market, don't believe in near term appreciation, and will finally sell.
- Portland rents increase marginally given the low vacancy rate.
- Rents and vacancies stabilize in Saco/Biddeford and Lewiston/Auburn with improvement in the economy.



**Brit Vitalius** founded Vitalius Real Estate Group at the beginning of 2011 so that he could continue to focus on the multi-unit market while assembling a group of professional brokers to provide a full complement of brokerage services to clients. Brit has made his career representing buyer and seller clients of multi-unit investments. For the last six years, he was a partner at Sullivan Multi Family Realty and more recently he co-founded Sullivan Management.

Brit is in his second term as President of the Southern Maine Landlord Association. He personally owns and manages multi unit investments in Portland and Yarmouth. Brit is also serving as President of the Yarmouth Alumni Association.

Brit grew up in Yarmouth, Maine before he graduated from Harvard University in 1995. He worked in technology as a programmer and team manager at BBN, the company that developed the forerunner of the internet. Brit currently lives in Yarmouth with his wife and 2 year old son, Coltrane.



*I would like to thank the many local landlords who completed the survey and those who shared their experiences with me throughout the year, Mainland Appraisal, Amidon Appraisal Company, Tina O'Connell, Yarmouth Pointe, Portland Housing Association, Port Property Management, and Sullivan Management.*